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**Message From
The Project Director**

Sandra Pierce-Miller

We have just completed a review of the Partnership and non-Partnership sales for Calendar Year 2000. The results reveal that Partnership policies continue to sell at a vigorous pace since the redesigned products were introduced to the California marketplace in the 4th quarter of 1998. In fact, there was a 23.8% increase in Partnership policy sales in the year 2000 over 1999 sales.

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Furthermore, total policy sales (Partnership plus non-Partnership sold by participating companies) experienced resurgence since 1998, showing a 22% increase in 1998, 12% increase in 1999, and 17% increase in 2000. While we should celebrate this overall increase in the sales of high quality policies, we need to remain cognizant of our goals and mission.

Indeed, we still have a huge challenge in front of us if we are going to make any real headway for future taxpayers, our children and grandchildren. We still must strive to prevent them from having to finance the long-term care costs of the baby boomer generation, which is likely to be a completely unmanageable tax burden.

While sales of Partnership policies have been very good (there are now over 30,000 active Partnership policyholders), the

bottom line remains that industry-wide sales simply are not growing fast enough to prevent what may be a financial disaster to tax payers and publicly-funded long-term care programs.

We, as long-term care insurance advocates, must continue our actions which will have a positive impact on the future. We cannot forget our commitment, because so many of our children and grandchildren depend on our actions of today.

With that commitment in mind, the Partnership will soon send out a Request for Application (RFA) to insurers, third-party administrators and other parties involved in distributing long-term care insurance products. The purpose of the RFA is to identify organizations willing and able to develop and implement innovative strategies and

See page 2, Director's Message

Partnership Follows Asset Protection Case

Thanks to foresight and conversations with her daughter about the importance of having long-term care insurance, Mildred Foreman was able to realize her dream of leaving an inheritance to her family. Her story illustrates the value of the Partnership's asset protection feature.

In July 1996, at age 92, Mildred began searching for a long-term care insur-

ance plan. Her daughter, Lenore Shelley, a licensed agent, recommended that she purchase a one-year Partnership policy since she had hoped to pass along her estate, worth approximately \$60,000. Shortly thereafter, she was able to purchase the policy.

With her failing health and inability to care for herself any longer, Mildred filed a claim against her policy in the last

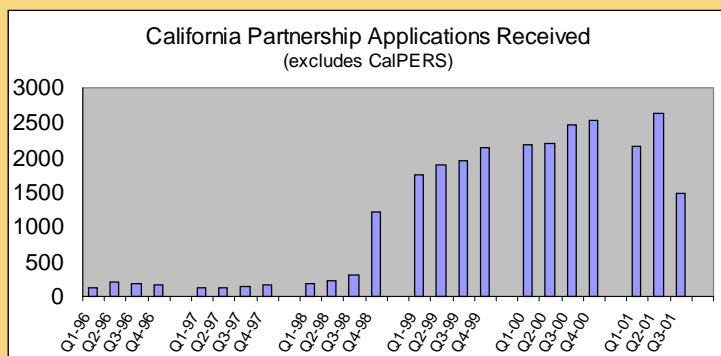
quarter of 1999. After she completed a face-to-face assessment with her care coordinator and was determined eligible for benefits by her insurer based on this assessment, Mildred entered a residential care facility. While the residential care facility initially met her needs, as her health deteriorated, Lenore felt it was necessary to transfer her mother to a

See page 3, Assets



Sales Update

Total applications received experienced a decline in the 3rd quarter of 2001 when compared to the 2nd quarter due to incomplete reporting and reporting errors.



Visit our Web site at www.dhs.ca.gov/cpltc for 2001 sales statistics.

Who is Buying Partnership Policies in the Third Quarter of 2001?

- The median age of the purchasers was 62
- 60% were female
- 69% were married
- 91% bought comprehensive policies
- 92% were first-time purchasers
- 11% bought one-year policies
- 16% bought two-year policies
- 17% bought three-year policies
- 16% bought four-year policies
- 6% bought five-year policies
- 34% bought lifetime policies

Care Management Advisory Group Formed

In our ongoing effort to improve the quality of the services offered through our policies, the Partnership has formed a workgroup to explore issues affecting the Care Coordination benefit. The workgroup consists not only of representatives of the Care Management Provider Agencies but of claims administrators and field care managers as well. Topics currently on the table include:

- ✓ continued use of two cognitive impairment examinations;

- ✓ face-to-face assessments when the policyholder is residing in a nursing home; and
- ✓ the need for an initial face-to-face assessment when the policyholder has already qualified for hospice.

As we resolve issues and enact any necessary changes in regulations, the Partnership will provide you with this information in future editions of the Partnership News or LTC Alerts.

Director's Message (Continued from page 1)

distribution systems that will significantly increase the extent to which middle-income consumers are protected through the purchase of high-quality long-term care insurance products. Of particular interest is how we might move more effectively into the employer market. The State of California through CalPERS recognized the importance of offering long-term care insurance to its constituency. Similarly, in October 2002, the federal government is scheduled to have a product on the market for federal and military employees and retirees. We believe the time is ripe for bringing the same opportunity to

employees of small and medium sized businesses in California, which make up the majority of the employment base in the state. We need your help. Agents are a valuable source of information for consumers and particularly important in helping design a suitable product for individuals not satisfied with the more limited choices offered traditionally through the employer market.

We would like to receive your ideas on what we might want to include as requirements in a RFA related to organizational support of its agent distribution system. As always, we appreciate your continued support.

Media Training Provided to Long-Term Care Agents

The following agents have been recognized for their outstanding contributions in their field and have been selected as California Partnership for Long-Term Care spokespersons. They have all participated in media training and will be called upon to act as Partnership spokespersons.

BAY AREA

Joanna L. Cassese

FRESNO-VISALIA

Kerry V. Poulson

GLENDALE-LOS ANGELES

Marcia Magus

PASADENA-LOS ANGELES

Dave Donchey

SAN DIEGO

Steve Elliott

VENTURA-SANTA BARBARA

Ellen M. Scher

Partnership Seminars Set for May 2002

May is Long-Term Care Month and the California Partnership for Long-Term Care will conduct two Continuing Education seminars in May 2002 to be held in Long Beach and Sacramento. These seminars are for those agents who have already completed the basic training required by the Partnership. So mark your calendars and keep an eye out for more details!

Assets (Continued from page 1)

skilled nursing facility. The policy continued to pay for her care during that time.

On January 15, 2001, as required in the Partnership regulations, Lenore received a letter indicating that on approximately March 1, 2001, her mother would have reached the maximum benefit amount available from her policy. Shortly thereafter, the Care Management Provider Agency contacted Mildred and developed a transitional/discharge plan of care. Based on the plan of care, which indicated an immediate transition to Medi-Cal was necessary to continue to pay for Mildred's long-term care, the Partnership worked directly with Lenore to assist her with her mother's

Medi-Cal application process. The Partnership also verified that the Medi-Cal asset protection feature was applied correctly during this process. The amount of benefits paid was verified by the Service Summary provided to Lenore by the insurance company. The one-year policy lasted approximately 16 months and provided over \$43,000 of asset protection.

Thanks to the asset protection, Mildred was granted eligibility for Medi-Cal benefits, even though she still had approximately \$45,000 in non-exempt assets. Medi-Cal immediately began to pay the costs after the

exhaustion of Mildred's policy in March 2001 and continued to pay for her care until her passing the following July.

In August 2001, Medi-Cal Estate Recovery received a copy of a completed questionnaire that verified the remaining assets in Mildred's estate, along with a copy of the Service Summary. Although Medi-Cal paid an additional \$5,400 for Mildred's care, her remaining recoverable assets were less than the amount of protection that was earned through

her Partnership policy. There was, therefore, no recovery against Mildred's estate.

The facts in this story are compelling. Not only did the one-year policy provide her

with over \$43,000 in benefits but she was also able to be in the facility of her choice and receive care at an appropriate level. Most important to Mildred, however, was the ability to leave something from her estate to her daughter.

The Partnership would like to thank Lenore for providing her personal story and allowing us to publish it so that other insurance agents have the opportunity to learn from this firsthand experience.

"Thanks to the asset protection, Mildred was granted eligibility for Medi-Cal benefits, even though she still had approximately \$45,000 in non-exempt assets."

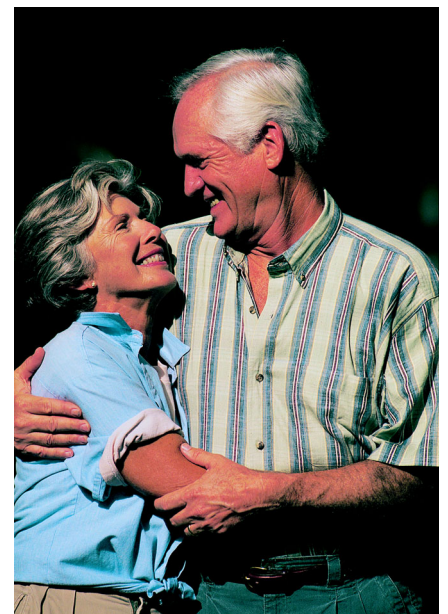
The Elimination Period... What Every Client Needs to Know

Policyholders who qualify for benefits, but are waiting to access them, have asked us why there is a delay in actually getting to their policy benefits. Your clients need to understand why there is lag time between their assessment, when they met the deficiencies that trigger benefits, and the beginning of the payment of benefits.

Policyholders are confused about the elimination period feature of their policy, as learned from calls made by Partnership staff to Partnership policyholders who are deemed eligible for benefits but are not receiving them.

For example, some companies grant seven days of credit for one or more days of paid home care during any calendar week. Another company waives the elimination period for home- and community-based benefits when their policyholder agrees to use the company's contracted Care Management Provider Agency. As an agent, your ongoing challenge is to fully explain the elimination period you sell to your clients so that they understand how soon after assessment they will receive their policy benefits.

See page 5, Elimination Period





You Can Take It With You ***Policy Benefits Extend Beyond California***

Q: Why should I sell a Partnership policy to a client who will be leaving California?

A: This is a question that is frequently asked of Partnership staff. In turn, we ask: Why would you sell your client anything less than a high-quality policy like a Partnership policy just because they intend to retire out of state? If your client did not have a Partnership policy with Medi-Cal asset protection, they would have to spend everything they have worked for once their benefits are exhausted until Medi-Cal would pay for their care, whether or not they reside in California.

In most cases, a person must be a California resident to buy a Partnership-approved long-term care policy. A person with a Partnership policy can access the policy benefits anywhere in the United States and even abroad with some companies. And, with a Partnership policy, you can rest assured knowing that your client is receiving benefits with top-quality consumer protection features.

The only feature of the policy that is

not recognized outside of California is the unique Medi-Cal asset protection. Asset protection is only recognized by the California Medi-Cal program. Your clients would have to return to California to apply for Medi-Cal once their policy benefits are used up in order to take advantage of the Partnership asset protection and avoid Medi-Cal spend down.

Today, many families are geographically scattered throughout the country. Some people will return to California to be near their family when long-term care is needed to ensure they have the support to help provide, manage or monitor their care. What would happen if your client decided to return to California to be cared for by a family member?

Because neither you nor your client can predict the future, making sure they have a Partnership-approved long-term care insurance policy can ensure that they have a quality policy wherever they may go and Medi-Cal asset protection should they return to California. You'll be providing your client with more care options and, at the same time, helping

protect what it has taken a lifetime to accumulate. Of course, if your client purchased a non-Partnership product and moved to Florida, for example, they still would not have asset protection.

Agents Sought for Next Advisory Group

As mentioned in our last LTC Alert, the Partnership held a mid-November Agent Advisory Group meeting. Agents joined CPLTC staff at the Sacramento office and via teleconference from Southern California. We plan to hold Agent Advisory Group meetings every other month, beginning January 2002. Experienced agents (those who have sold 20 or more Partnership policies) who would like to participate in these Advisory Groups should call Jack Sanders at (916) 323-4253.

New Policies Take to the Market

All California Partnership long-term care insurance policies were approved as meeting the requirements of Senate Bill 870 and were on the market as of the October 1, 2001 deadline. We thank all our Partners who worked diligently with our staff and the staff of the Department of Insurance during the re-filing of their Partnership policies.

Of note is that some of our Partners took advantage of this re-filing opportunity to make further improvements in their Partnership policies with innovative provisions resulting in added consumer benefits. Some of these new features include:

- coverage of therapeutic devices, medical alert systems and home

modification benefits before meeting the elimination period;

- elimination period definitions that credit seven days for one day of paid care during any single week;
- new riders that allow spouses to share coverage, provide extended benefits upon the death of a spouse, paid up premiums for surviving spouses, and waiver of premiums for both spouses when one spouse receives policy benefits; and
- home safety checks.

We recommend that you carefully review the SB 870 products for more policy inclusions that make Partnership long-term care policies more attractive to Californians.

Testimonials Wanted for Partnership Video

The Partnership is looking for individuals willing to be videotaped for a new educational video. Candidates should have a compelling story that will help Californians better understand the need to plan ahead for long-term care and the benefits of a Partnership policy.

Please contact Michelle Hall at Brown-Miller Communications toll-free at (866) 869-8999 for further information.

Top Producer Dave Donchey Shares LTC Sales Strategies

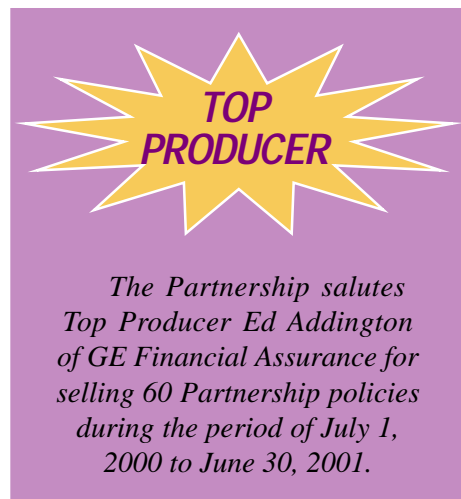
Special thanks to top producer and long-term care spokesperson Dave Donchey of Leisure Werden & Terry Agency (Pasadena), who has kindly shared some tips on conducting the “interview.”

Just the Facts Ma’am!

What type of ‘interview’ do you conduct when selling long-term care insurance to a prospect? Do you simply engage in casual conversation with your prospect and quickly reach for the computer-generated proposal (or product rate book) to show them ‘what a deal’ the insurance is, hoping to make a sale? Or do you have a well thought out series of questions that would be critical to the long-term care insurance sale?

Unless you’ve gone through an extensive long-term care insurance marketing training course, you may not have given much thought to the specific questions you should be asking your prospects when discussing long-term care

planning. Specific, targeted questions found in a good ‘fact finder’ will help uncover your prospect’s goals and objectives and can aid in determining whether they are suitable for the purchase of long-term care insurance. Naturally, the recommendations you make as an advisor will then be based on the prospect’s responses, as opposed to those suggested by some statistic, survey or brochure. Just like a physician interviews a patient before prescribing treatment or medication, your interview with a prospect should be ‘holistic’ in its approach. Your fact finder should include a broad range of questions about personal data, health history and family circumstances. It should also include questions about the relationship your prospect has with their children or grandchildren, their personal finances (including income, assets and liabilities), current insurance programs and the client’s understanding of government programs like Medi-Cal or Medicare. Consider questions that require an expla-



nation, as opposed to a ‘yes’ or ‘no’ answer. Let prospects tell you what they think and want, and you’ll find it will be a lot easier to make planning recommendations that they are likely to employ. After all, you’ll be using their words, not yours!

A fact-finder worksheet, compliments of long-term care insurance specialists Abe and Ellen Scher, is available from the Partnership Web site at www.dhs.ca.gov/cpltc.

Elimination Period (Continued from page 3)

You may also be faced with the challenge of explaining to your client various options on how meeting the elimination period can be accomplished.

Let’s look at a practical example of someone who has a 30-day elimination period.

Mrs. Peabody, who lives at home with her husband, began to have difficulty with dressing and bathing independently. On December 30, Mr. Peabody contacted his wife’s Partnership carrier to request access to her policy benefits. On December 31, the carrier’s care coordinator visited Mrs. Peabody to complete

an assessment. As part of the plan of care, the care coordinator recommended a home health aide assist with Mrs. Peabody’s care at home two hours ev-

ery Monday. This assistance included helping Mrs. Peabody with dressing and bathing. At the same time, the care coordinator identified Mrs. Peabody’s support network which included her daughter, a granddaughter, and Mr. Peabody. This informal network helped with her care for the rest of the time.

In this example, the insurance com-

“As an agent, your ongoing challenge is to fully explain the elimination period you sell to your clients...”

pany based the 30-day elimination period on seven days of credit for every day of paid home care during any calendar week. Mrs. Peabody, therefore, met

her elimination period in just one month by paying for just five days of formal care.

Care coordination and respite are available before meeting the elimination period. Sometimes home modification, medical response systems, hospice and informal caregiver training are also available before the elimination period is met.

Seldom, however, can days paid for these services be used to meet the elimination period.

As companies set themselves apart from the competition by offering incentives, when it comes to meeting the elimination period, make sure that your client understands the elimination period selected as part of their Partnership policy.

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EDITOR: Lisa Kale

PARTNERSHIP STAFF:

Sandra Pierce-Miller, Project
Director

Brenda Bufford, Deputy Project
Director

Lisa Kale, Analyst

Keith Parsley, Analyst

Jack Sanders, Analyst

Raul Moreno, Research Program
Specialist

For more information:

California Partnership for Long-Term Care
1801 7th Street
Sacramento, CA 95814
(916) 323-4253
(916) 323-4238 Fax
Web site: www.dhs.ca.gov/cpltc

PARTICIPATING INSURERS:

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(888) 2828-BLC

CalPERS Long-Term Care Program
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cpltc@dhs.ca.gov or call the Partnership at (916) 323-4253.

In Brief...

JOHN HANCOCK NOW PROVIDES PARTNERSHIP POLICIES

John Hancock Life Insurance Company has now been certified as the sixth private provider of Partnership policies. As of June 30, 2001, John Hancock and its subsidiaries had total assets under management of \$122.7 billion. For more information on John Hancock's long-term care insurance products, call 800-377-7311.

LEGISLATION UPDATE

AB 1178 -- Signed by Governor Davis, the bill extended the deadline from July 1, 2001 to October 1, 2001 that insurers could offer policies that did not include the requirements mandated by SB 870.

SB 898 -- Signed by Governor Davis, this bill requires all new policy filings to conform with rate information required by the Department of Insurance (DOI). The DOI has not yet issued guidelines for the policy filings.

HR 1041 -- This federal legislation is still in the House Subcommittee on Health. This bill would amend Title XIX of the Social Security Act to allow other states to enter into long-term care partnerships under the Medicaid program.

Federal Tax Incentive -- Two bills (HR 831 and S 627) would provide an income tax deduction for qualified long-term care insurance premiums. These bills remain in committees.

FEDERAL OFFERING STATUS

The deadline for insurance companies to submit proposals to the Office of Personnel Management was August 2001. The federal government plans to roll out its long-term care insurance product to its employees and retirees in October 2002. The federal government estimates the "Federal family" at 20 million people.

ANY QUESTIONS?

The Partnership welcomes questions from agents. If you have specific questions about CPLTC policies or are seeking information on topics related to long-term care and long-term care insurance, we're happy to help you. Please call the Partnership office at (916) 323-4253.